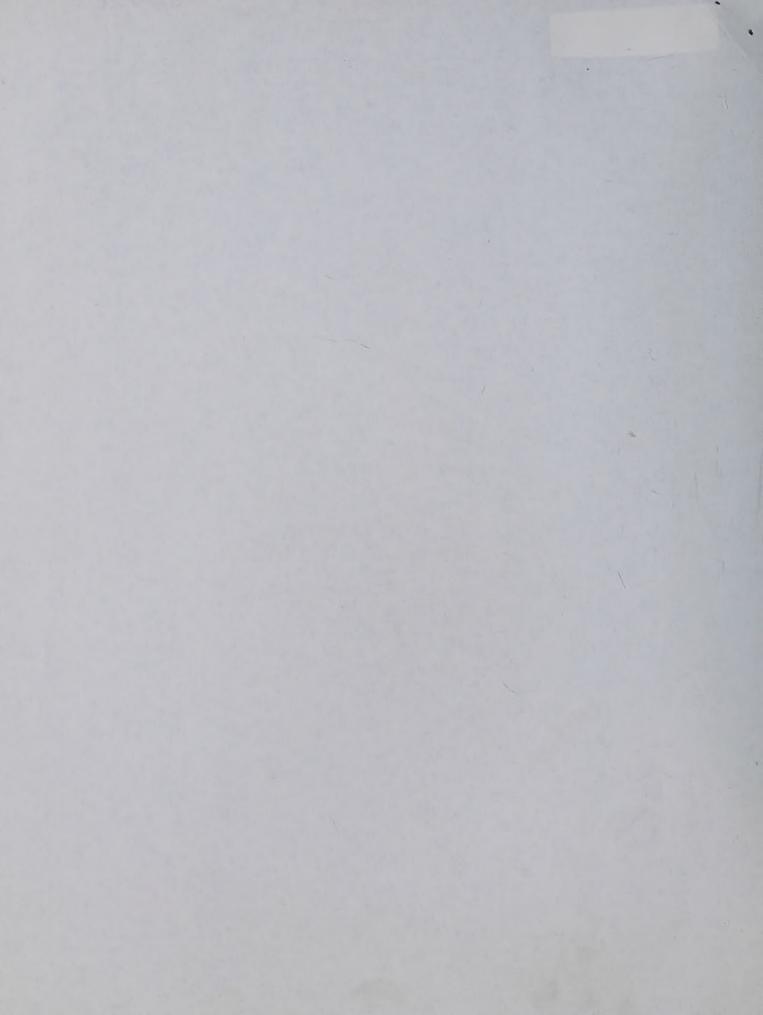
because to apply and the account that the course of the con-

Auditors' Report

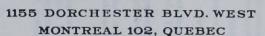
Consolidated Financial Statements November 30, 1971

PEAT, MARWICK, MITCHELL & CO.

CHARTERED ACCOUNTANTS



## PEAT, MARWICK, MITCHELL & Co. CHARTERED ACCOUNTANTS





#### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of E. R. Squibb & Sons Ltd. and subsidiary companies as at November 30, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at November 30, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as reflected in the revised statements for that year which give effect to the change, with which we concur, of submitting consolidated financial statements to shareholders as explained in note 1 to the financial statements.

Peak, Marwick, Mitchell Elo.

Chartered Accountants.

Montreal, Que.
January 7, 1972.

particular perferences to start of you have beautiful and a safety or and

Consolidated Balance Sheet

November 30, 1971 with comparative figures for 1970

See accompanying notes to financial statements.	Intangible assets:  Excess of cost of investment in subsidiary company over underlying net assets at date of acquisition Goodwill of a subsidiary	Property, plant and equipment, at cost (note 3) Less accumulated depreciation	Deposit in connection with an option to acquire shares, expiring December 31, 1975	Mortgage receivable and accrued interest thereon (note 2)	Total inventories Prepaid expenses Total current assets	Raw materials and supplies Work in process Finished products	Inventories, at the lower of cost or net realizable value:	Current assets:  Cash  Guaranteed deposit and short-term note Marketable securities, at cost  Receivables:  Trade  Affiliated companies (U.S. \$981,337) Income taxes recoverable  Other  Less allowance for doubtful items  Net receivables
9,635,311	307,223	3,247,837 1,051,335 2,196,502	75,000	745,125	2,583,375 87,566 6,230,461	1,433,796 312,495 837,084		1971 \$ 339,178 25,000 2,185,272 984,330 20,901 57,491 3,247,994 52,652 3,195,342
9,283,835	307,223	3,173,834 976,609 2,197,225	75,000	308,700	2,588,905 81,791 6,314,687	1,120,417 365,637 1,102,851		1970 192,849 150,000 2,111 2,028,374 1,065,708 166,700 82,098 3,342,880 43,849 3,299,031
ς»    • •			Commitment and contingent liabilities (notes 7 and 8)	Retained earnings  Total shareholders' equity  3	Shareholders' equity: Capital stock; Common stock, par value \$100 per share. Authorized 500 shares; issued 50 shares	Mortgage payable, 6% due August 1, 1989 (note 5)  Deferred income taxes	Bank loan (note 4)	Current liabilities:  Notes payable - banks Accounts payable - parent and affiliated companies  (U.S. \$1,851,690) Accrued liabilities: Commissions and payrolls Taxes, other than taxes on income Interest Miscellaneous Taxes on income Total current liabilities
\$ 9,635,311				3,345,512	5,000	32,634 284,800	3,000,000	1971 \$ 500,000 250,135 1,857,262 40,324 4,057 2,630 191,936 121,021 2,967,365
9,283,835				2,556,227	5,000	31,949	3,000,000	1970 500,000 305,785 2,404,473 29,846 8,144 3,205 188,206

Director.

e 1

Consolidated Statement of Income and Retained Earnings

Year ended November 31, 1971 with comparative figures for 1970

and concorp

lings

note in the federal

for fall

for f

	1971	1970
Sales	\$ 9,813,288	9;293,762
Income before the undernoted items	\$ 951,071	771,086
Deduct: Depreciation Interest on long-term debt	91,676 245,930	89,021 
	337,606	354,110
Income before income taxes and extraordinary credit	613,465	416,976
Provision for income taxes:		
Current Deferred	280,796 28,800	254,866 21,740
Introduce to increase vecesivities	309,596	276,606
Net income before extraordinary credit	303,869	140,370
Extraordinary credit - gain on sale of land	490,416	366,715
Net income	794,285	507,085
Retained earnings at beginning of year	2,551,227	2,044,142
Retained earnings at end of year	\$ 3,345,512	2,551,227

See accompanying notes to financial statements.

#### Consolidated Statement of Source and Application of Funds

### Year ended November 30, 1971 with comparative figures for 1970

Funds provided:	1971	1970
Net income before extraordinary credit Add charges not requiring cash expenditure:	\$ 303,869	140,370
Depreciation	91,676	89,021
Loss on disposal of fixed assets Deferred income taxes	8,427 28,800	7,167 21,740
Funds provided from operations	432,772	258,298
Proceeds from sale of fixed assets Mortgage	618,882	471,607 31,949
Total funds provided	1,052,339	761,854
Funds used:		
Purchase of fixed assets Option to acquire shares	227,846	411,882 75,000
Increase in mortgage receivable	436,425	308,700
Total funds used	664,271	795,582
Increase (decrease) in working capital	\$ 388,068	(33,728)

Discussive to crossed in the measures at the above rates on a stratety

See accompanying notes to financial statements.

OF SUBSTRAIN S SING LTD.

Design Links Statement of Course and April Course of Parties

IVEL OIL particular below rest

	resultances for a market or account the
	and the second of the second o
	Proceeds term into or fined states
	productions and the state of th

Sue Decompany for notes on Commessi and moura

#### Notes to Consolidated Financial Statements

#### November 30, 1971

- (1) The company adopted the policy in 1971 of preparing consolidated financial statements including all subsidiaries, each of which is wholly owned. Financial statements in respect of the year 1970 have been restated accordingly.
- (2) The balance of the mortgage receivable at November 30, 1970, less an amount of \$11,257 repaid since that date, has been combined with an additional amount of \$440,000 which arose as the result of a sale of land in the year ended November 30, 1971. The total amount of \$737,443 is repayable in four equal annual instalments commencing on September 15, 1973.

Interest from September 15, 1971 at the rate of 5% per annum is to be accrued until September 15, 1973 and will be repaid annually thereafter, commencing on September 15, 1974.

The mortgagor has the right to repay amounts, together with accrued interest thereon, in advance of the instalments referred to above and to reduce his instalment obligations accordingly. Such repayments cannot be predicted. In the period November 30, 1971 to January 7, 1972, principal of \$104,417 was repaid by the mortgagor.

(3) Property, plant and equipment:

	Depreciation Rate	n 1971	<u>1970</u>
Land		\$ 148,167	269,053
Land improvements	4%	5,027	5,027
Buildings	2%	2,040,183	1,955,333
Machinery and equipment	6½%	698,880	606,503
Office furniture and equipment	10%	340,105	316,103
Automobiles and trucks	25%	15,475	21,815
		\$ 3,247,837	3,173,834

Depreciation is charged in the accounts at the above rates on a straight straight line basis over the life of the individual assets.

- (4) The bank loan is due May 31, 1972. The bank has indicated a willingness to extend the loan beyond that date and the management does not anticipate that any portion of the loan will be required to be repaid before November 30, 1972. For this reason the loan has been shown as non-current.
- (5) The mortgage is repayable in monthly instalments, currently \$388, covering principal, interest and real estate taxes. The amount of principal expected to be repaid in the ensuing twelve months is not significant and accordingly no amount has been reclassified into current liabilities.

NAME OF CONTRACT PARTICIPAL PROPERTY.

#### NEW OIL SECTION

- (1) The court of the control of the
- as seat .0000, 00 sudemost to alexythree suppress of the other out to seather the state of the other seathers after the character to the other of the other of the other to the case of the other of the other oth

Interval from Septemble 15, 1001 at the sate of 35 per parts to te to be will be sucurity stores - and all septemble 15, 1973 and will be sucurity and an all stores of the same 13, 1974,

THE MORE SERVICE LINE CON FROM THE SERVICE SERVICE STATES AND SERVICE SERVICE

passed the sould was fines (15)

	Lend Improveded  Lend Improveded  Restlicts  Restlicts  Restlicts  Restlicts  Addamoddles and cracks

Depression is charged in the accounts at the above rates on a stratific attacking the later the later course asserts.

- can be seemed the large of the last date and the selection of the semigroups does not that date and the semigroups does not that date and the semigroups does not continue the semigroups at the
- principal is reported in contains the states and assessed in principal principal as a special of principal principal of the second of the seco

Notes to Consolidated Financial Statements, Continued

#### (6) Directors and officers:

	1971	1970
Remuneration of officers as officers Number of officers	\$ 42,896 3	41,306
Remuneration of directors who are	A 17 500	45 400
not officers	\$ 47,536	45,408
Total number of directors Number of officers who are	5	5
also directors	2	2

No remuneration was paid by the subsidiary companies.

- (7) Under the terms of a purchase agreement a subsidiary company has undertaken that if within a period of 42 months commencing in September 1970 it does not purchase 7,500,000 units it will reimburse the supplier for a pro-rata share of the supplier's set-up costs of \$22,000.
  - To November 30, 1971 the subsidiary company has purchased approximately 700,000 units. The unrecorded liability in respect of the above obligation is \$15,000.
- (8) The company has paid income tax assessments totalling \$119,800 which are being appealed. If the appeals are unsuccessful, additional assessments may be received. The amount, which is not provided for, of any such additional assessments would be approximately \$83,500, of which approximately \$20,000 relates to the year ended November 30, 1971.
- (9) Amounts payable or receivable in U.S. funds have been translated into Canadian funds at the rate of U.S. \$.997 equals Cdn. \$1.00.

ATT PROPERTY AND A STATE OF THE PARTY AND A PARTY AND

Mores by Consultated Pinescent Stationers, Continued

special two propagates (

DIET TEAT

Manageration or orlices as a received

DELTA MILES OF

are one wrompenilt to not intenseed

8 47,536 45,408

Total similar or directors who are

2 100

No remaind the rate paid by the substillary-morphism.

The parties of the angelors and the property of the parties of the

Total or 213,000 and 10 the present of the present of the share of the

delde GOS, 211 publicant assessment at another being and you made out to the same special and the same special assessment assessment and the same an

(9) Assume payable of the rate to U.S. finds baye been translated into